

FUNCTION 350: AGRICULTURE

This function includes programs that intend to promote the economic stability of agriculture. Programs in this function include direct assistance and loans to food and fiber producers, market information and agricultural research. Producers are assisted with production flexibility contract payments, crop insurance, non-recourse crop loans, operating loans and export promotion.

The price support programs operated by the Commodity Credit Corporation (CCC) constitute most of the spending in this function. Agriculture spending has varied widely over the last 25 years. CCC spending has gone from \$0.6 billion in 1975 to a record high of \$27 billion expected in 2000.

(\$ Billions)							
	1999	2000	2001	2002	2003	2004	2005
	Actuals						
President's Budget:							
Budget authority	24.1	32.0	22.6	17.5	13.6	12.4	11.6
Outlays	23.0	32.0	22.4	17.8	14.3	12.3	11.4
OMB Baseline:							
Budget authority	24.1	31.2	18.9	14.7	13.9	12.7	11.9
Outlays	23.0	31.3	18.9	14.5	14.5	12.6	11.7
Budget compared to OMB Baseline:							
Budget authority	---	0.7	3.7	2.8	-0.3	-0.3	-0.3
Outlays	---	0.7	3.5	3.3	-0.2	-0.3	-0.3

Farm policy is driven by the Federal Agricultural Improvement and Reform (FAIR) Act of 1996 which became law on April 4, 1996. The FAIR Act was designed to give farmers flexibility in planting decisions based on market conditions instead of on government programs. The Act terminated production control programs of the depression era and provided a market transition into the 21st century. The FAIR Act included a spending cap on the major program crops to limit unforeseen spending increases which have occurred in past years; however, high worldwide production levels combined with significant market erosion (primarily in Asia) have resulted in low commodity prices. Federal spending on program crops and other income support programs has been supplemented over the past two years by more than \$15 billion.

The Administration projects **Commodity Credit Corporation** (CCC) outlays will total \$27.2 billion in 2000 and \$15.4 billion in 2001 under current program authority.

< The Administration proposes a new spending under a farm “**safety net**” initiative under four categories: farm income; risk management; conservation programs; and economic opportunity.

Under this initiative, new spending would total an additional \$1.3 billion in 2000, and \$5.8 billion in 2001. Broken down into its components, the Administration proposes:

- \$970 million in 2000 and \$3.3 billion in 2001 under farm income;
- \$110 million in 2000 and \$1.0 billion in 2001 under risk management;
- \$100 million in 2000 and \$1.3 billion in 2001 under conservation programs; and
- \$100 million in 2000 and \$245 million in 2001 under economic opportunity.

The major component of the “**safety net**” proposal is a new counter-cyclical farm income support program providing direct government payments to producers in years when their net income drops below 92% of the most recent five-year average. Under this program, smaller producers would only receive assistance if their total direct payments from the government did not exceed \$30,000; larger producers would receive no payments.

Under the risk management component of the “**safety net**” proposal, the Administration proposes to increase premium subsidies by \$640 million in 2001, and would provide an additional \$220 million in disaster assistance under the non-insured crop disaster assistance program (NAP), \$100 million in multiple-year disaster insurance coverage, and \$100 million to establish a pilot insurance program for livestock.

- < The Administration proposes a number of new **user fees** in 2001, totaling \$568 million per year, for the Food Safety Inspection Service (FSIS), the Grain Inspection, Packers and Stockyard Administration (GIPSA), and the Animal Plant Health Inspection Service (APHIS). They include:

- \$534 million for FSIS inspection fees;
- \$23 million for GIPSA in licensing fees; and
- \$11 million for APHIS testing, inspection and eradication services.

- < The budget provides \$894 million for the **Agriculture Research Service** (ARS) in 2001, a \$34 million increase above the amount provided in 2000. The Administration proposes to reduce funding for **buildings and facilities** by \$14 million in 2000.

- < Within the **Cooperative State Research, Education, and Extension Service**, the Administration proposes:

- \$469 million for **research and education activities**, a \$18 million reduction from 2000;
- \$428 million for **extension activities**, a \$4 million increase above 2000; and
- \$76 million for **integrated research, education, and extension activities**, a \$36 million increase above 2000.

